

44. AspenTech's financial results for the third quarter of fiscal 2002, the period ending March 31, 2002, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about May 15, 2002, which was signed by defendant Zappala. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

License revenue, including license renewals, consists primarily of revenue earned under fixed-term and perpetual software license agreements and is generally recognized upon shipment of the software if collection of the resulting receivable is probable, the fee is fixed or determinable, and vendor-specific objective evidence (VSOE) exists for all undelivered elements. The Company determines VSOE based upon the price charged when the same element is sold separately. Maintenance and support VSOE represents a consistent percentage of the license fees charged to customers. Consulting services VSOE represents standard rates, which the Company charges its customer when the Company sells its consulting services separately. For an element not yet being sold separately, VSOE represents the price established by management having the relevant authority when it is probable that the price, once established, will not change before the separate introduction of the element into the marketplace. Revenue under license agreements, which may include several different software products and services sold together, are allocated to each element based on the residual method in accordance with SOP 98-9, "Software Revenue Recognition, with Respect to Certain Transactions." Under the residual method, the fair market value of the undelivered elements is deferred and subsequently recognized when earned. The Company has established sufficient VSOE for professional services, training and maintenance and support services. Accordingly, software license revenue is recognized under the residual method in arrangements in which software is licensed with professional services, training and maintenance and support services. The Company uses installment contracts as a standard business practice and has a history of successfully collecting under the original payment terms without making concessions on payments, products or services.

Maintenance and support services are recognized ratably over the life of the maintenance and support contract period. Maintenance and support services include only unspecified rights to product upgrades and enhancements. These services are typically sold for a one-year term and are sold either as part of a multiple element arrangement with software licenses or are sold independently at time of renewal. The Company does not provide specified upgrades to its customers in connection with the licensing of its software products.

Service revenues from fixed-price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount thereof is provided currently. Service revenues from time and expense contracts and consulting and training revenues are recognized as the related services are performed. Services that

have been performed but for which billings have not been made are recorded as unbilled services, and billings that have been recorded before the services have been performed are recorded as unearned revenue in the accompanying consolidated condensed balance sheets.

45. On May 10, 2002, the Company issued a press release announcing that it had agreed to a private placement of common stock to a small group of current institutional and new individual investors, raising gross proceeds of approximately \$50 million. The Company further stated that it intends to use the proceeds from the private placement, together with approximately \$50 million of its cash on hand, to fund the acquisition of Hyprotech, Ltd., a leading supplier of process simulation and engineering software and services to the petroleum industry.

46. On August 15, 2002, AspenTech issued a press release announcing its financial results for the fourth quarter and year end of fiscal 2002, the period ending June 30, 2002. For the quarter, the Company reported total revenues of \$84.0 million and a pro forma net loss of \$11.7 million, or \$0.34 per share. Defendant Evans commented on the Company's performance, stating, in pertinent part, as follows:

We have taken aggressive actions intended to return us to operating profitability and positive cash flow by the end of this calendar year. In the near-term, we have cut expenses to breakeven at quarterly revenue of \$88 million. We have also sharpened our focus on two core product lines: Engineering and Supply Chain Manufacturing. This streamlined approach will enable us to better match revenue and spending until the IT spending environment strengthens, while maintaining our key customer support and development activities.

We have also made significant changes in our sales and product development leadership and improved our organizational efficiency. We believe this will add more predictability to our financial results, while allowing us to develop and market our solutions more rapidly and efficiently. AspenTech's reputation for technical excellence and process industry expertise has never been stronger, and in the year ahead we are committed to delivering financial results that reflect this valuable industry leadership.

47. AspenTech's financial results for the fourth quarter and year end of fiscal 2002, the period ending June 30, 2002, were repeated in the Company's Report on Form 10-K filed with the

SEC on or about September 30, 2002, which was signed by defendants Evans and Zappala, among others. Concerning the Company's revenue recognition policies, the 10-K stated, in pertinent part, as follows:

License revenue, including license renewals, consists principally of revenue earned under fixed-term and perpetual software license agreements and is generally recognized upon shipment of the software if collection of the resulting receivable is probable, the fee is fixed or determinable, and vendor-specific objective evidence (VSOE) of fair value exists for all undelivered elements. The Company determines VSOE based upon the price charged when the same element is sold separately. Maintenance and support VSOE represents a consistent percentage of the license fees charged to customers. Consulting services VSOE represents standard rates, which the Company charges its customers when the Company sells its consulting services separately. For an element not yet being sold separately, VSOE represents the price established by management having the relevant authority when it is probable that the price, once established, will not change before the separate introduction of the element into the marketplace. Revenue under license arrangements, which may include several different software products and services sold together, are allocated to each element based on the residual method in accordance with SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." Under the residual method, the fair value of the undelivered elements is deferred and subsequently recognized when earned. The Company has established sufficient VSOE for professional services, training and maintenance and support services. Accordingly, software license revenue is recognized under the residual method in arrangements in which software is licensed with professional services, training and maintenance and support services. The Company uses installment contracts as a standard business practice and has a history of successfully collecting under the original payment terms without making concessions on payments, products or services.

Maintenance and support services are recognized ratably over the life of the maintenance and support contract period. Maintenance and support services include telephone support and unspecified rights to product upgrades and enhancements. These services are typically sold for a one-year term and are sold either as part of a multiple element arrangement with software licenses or are sold independently at time of renewal. The Company does not provide specified upgrades to its customers in connection with the licensing of its software products.

Service revenues from fixed-price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount thereof is provided currently. Service revenues from time and expense contracts and consulting and training revenue are recognized as the related services are performed. Services that have been performed but for which billings have not been made are recorded as

unbilled services, and billings that have been recorded before the services have been performed are recorded as unearned revenue in the accompanying consolidated balance sheets.

48. On October 24, 2002, AspenTech issued a press release announcing its financial results for the first quarter of fiscal 2003, the period ending September 30, 2002. For the quarter, the Company reported total revenues of \$77.3 million and a net loss of \$10.7 million, or \$0.28 per share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

Our new organization, which is focused around our two major product lines, has helped to streamline our operations and will set the foundation for improved efficiency in the coming quarters. We achieved our expense reduction targets across the company, cutting spending to \$88 million in the first quarter. Our Engineering business hit our revenue targets and was profitable in the quarter. However, our Manufacturing/Supply Chain business fell short and did not meet our expectations. While we saw solid results from our foundation products, demand for our integrated, enterprise products continued to be weak.

As a result, we are realigning our expenses within the Manufacturing/Supply Chain business to focus on near-term opportunities. These actions are intended to restore the Manufacturing/Supply Chain business, and AspenTech as a whole, to profitability in the third quarter of fiscal 2003. Since we will only achieve a partial quarter of benefits in the current quarter, our target is to break even for the three months ending December 31, 2002.

49. AspenTech's financial results for the first quarter of fiscal 2003, the period ending September 30, 2002, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about November 14, 2002, which was signed by defendants McQuillin and Zappala. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

Revenue Recognition—Software Licenses

We recognize software license revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position, or SOP, No. 97-2, "Software Revenue Recognition", as amended by SOP No. 98-4 and SOP No. 98-9, as well as the various interpretations and clarifications of those statements. These statements require that four basic criteria must be satisfied before software license revenue can be recognized:

- persuasive evidence of an arrangement between ourselves and a third party exists;
- delivery of our product has occurred;
- the sales price for the product is fixed or determinable; and
- collection of the sales price is probable.

Our management uses its judgment concerning the satisfaction of these criteria, particularly the criteria relating to the determination of whether the fee is fixed and determinable and the criteria relating to the collectibility of the receivables relating to such sales. Should changes and conditions cause management to determine that these criteria are not met for certain future transactions, all or substantially all of the software license revenue recognized for such transactions could be deferred.

Revenue Recognition—Consulting Services

We recognize revenue associated with fixed-fee service contracts in accordance with AICPA SOP No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount of the anticipated loss is provided currently. Our management uses its judgment concerning the estimation of the total costs to complete the contract, considering a number of factors, including the experience of the personnel that are performing the services and the overall complexity of the project. Should changes and conditions cause actual results to differ significantly from management's estimates, revenue recognized in future periods could be adversely affected.

50. On January 30, 2003, AspenTech issued a press release announcing its financial results for the second quarter of fiscal 2003, the period ending December 31, 2002. For the quarter, the Company reported total revenues of \$83.0 million and a net loss of \$136.9 million, or \$3.59 per share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

We met or exceeded all of our key operational objectives in the December quarter, which enabled us to restore the company to operating profitability, excluding charges, a quarter earlier than we anticipated. Solid customer demand, particularly in the refining and oil & gas sectors, coupled with improved execution, led to sequential top-line growth. Expenses were down substantially from last quarter, as we realized the benefit of headcount reductions and cost control measures implemented earlier in the year.

In addition, we ended the quarter with more cash than we had forecasted, due to an increase in the sale of installment receivables and improved collection activity. Our success in the second quarter was an important milestone for the company and gives us confidence that we can sustain this improved execution, as we move toward achieving our revenue and profitability targets for the rest of this fiscal year.

51. AspenTech's financial results for the second quarter of fiscal 2003, the period ending December 31, 2002, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about February 14, 2003, which was signed by defendants McQuillin and Zappala. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

Revenue Recognition—Software Licenses

We recognize software license revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position, or SOP, No. 97-2, "Software Revenue Recognition", as amended by SOP No. 98-4 and SOP No. 98-9, as well as the various interpretations and clarifications of those statements. These statements require that four basic criteria must be satisfied before software license revenue can be recognized:

- persuasive evidence of an arrangement between ourselves and a third party exists;
- delivery of our product has occurred;
- the sales price for the product is fixed or determinable; and
- collection of the sales price is probable.

Our management uses its judgment concerning the satisfaction of these criteria, particularly the criteria relating to the determination of whether the fee is fixed and determinable and the criteria relating to the collectibility of the receivables relating to such sales. Should changes and conditions cause management to determine that these criteria are not met for certain future transactions, all or substantially all of the software license revenue recognized for such transactions could be deferred.

Revenue Recognition—Consulting Services

We recognize revenue associated with fixed-fee service contracts in accordance with AICPA SOP No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount of the anticipated loss is provided currently. Our management uses its judgment concerning the estimation of the total costs to complete the contract, considering a number of factors, including the experience of

the personnel that are performing the services and the overall complexity of the project. Should changes and conditions cause actual results to differ significantly from management's estimates, revenue recognized in future periods could be adversely affected.

52. On April 29, 2003, AspenTech issued a press release announcing its financial results for the third quarter of fiscal 2003, the period ending March 31, 2003. For the quarter, the Company reported total revenues of \$79.7 million and a net loss to common shareholders of \$2.0 million, or \$0.05 per share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

I am pleased to have met our financial objectives again this quarter, particularly in a difficult macroeconomic environment. We hit our license revenue target, further reduced our operating expenses, and significantly improved pro forma profitability. This sequential improvement is solid evidence that the actions we took last autumn to streamline both our organization and our product focus are having a positive effect on our execution, which is enabling us to operate profitably.

In terms of the key operational highlights, the geographic composition of our license revenue was well-balanced and our Engineering product line exceeded its objectives. We continue to see steady demand for our Manufacturing/Supply Chain solutions, although primarily for individual Foundation technologies. From an end-user perspective, the petroleum refining and oil and gas sectors were again important contributors in the third quarter, as integrated refiners sought to optimize their asset productivity and upstream divisions launched large engineering projects. Major customers continue to express their confidence in our solutions for Enterprise Operations Management, which provide proven, rapid, and substantial returns on investment, enabling customers to consistently improve their profitability.

53. AspenTech's financial results for the third quarter of fiscal 2003, the period ending March 31, 2003, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about May 15, 2003, which was signed by defendants McQuillin and Zappala. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

Revenue Recognition—Software Licenses

We recognize software license revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position, or SOP, No. 97-2, "Software Revenue Recognition", as amended by SOP No. 98-4 and SOP No. 98-9, as well as the various interpretations and clarifications of those statements. These

statements require that four basic criteria must be satisfied before software license revenue can be recognized:

- persuasive evidence of an arrangement between ourselves and a third party exists;
- delivery of our product has occurred;
- the sales price for the product is fixed or determinable; and
- collection of the sales price is probable.

Our management uses its judgment concerning the satisfaction of these criteria, particularly the criteria relating to the determination of whether the fee is fixed and determinable and the criteria relating to the collectibility of the receivables relating to such sales. Should changes and conditions cause management to determine that these criteria are not met for certain future transactions, all or substantially all of the software license revenue recognized for such transactions could be deferred.

Revenue Recognition—Consulting Services

We recognize revenue associated with fixed-fee service contracts in accordance with AICPA SOP No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount of the anticipated loss is provided currently. Our management uses its judgment concerning the estimation of the total costs to complete the contract, considering a number of factors, including the experience of the personnel that are performing the services and the overall complexity of the project. Should changes and conditions cause actual results to differ significantly from management's estimates, revenue recognized in future periods could be adversely affected.

54. On August 7, 2003, AspenTech issued a press release announcing its financial results for the fourth quarter and year end of fiscal 2003, the period ending June 30, 2003. For the quarter, the Company reported total revenues of \$82.8 million and a net loss to common shareholders of \$18.2 million, or \$0.47 per share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

Our fourth quarter sequential license growth was driven by a substantial increase in contribution from our manufacturing/supply chain solutions, which exceeded our expectations for the first time in fiscal 2003. Our performance was well balanced by geography and end-user market--a testament to improved sales force productivity.

We believe this validates our actions over the past year to streamline our operations and enhance our organizational leadership.

I am very proud of the dramatic turnaround the company has made over the past nine months, improving operational performance in the midst of a very difficult environment for enterprise software providers. The best evidence of this improvement was the signing of a definitive agreement with Advent International for a \$100 million private equity financing, which is subject to shareholder approval. We believe these financial resources will help us to show year-on-year improvement in earnings and cash flow in fiscal 2004.

55. On August 13, 2003, the Company issued a press release announcing the results of voting at its special meeting of stockholders. At the special meeting, stockholders approved the Company's proposed \$100 million private equity investment from funds managed by Advent International Corporation.

56. AspenTech's financial results for the fourth quarter and year end of fiscal 2003, the period ending June 30, 2003, were repeated in the Company's Report on Form 10-K filed with the SEC on or about September 29, 2003, which was signed by defendants McQuillin and Kane, among others. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

License revenue, including license renewals, consists principally of revenue earned under fixed-term and perpetual software license agreements and is generally recognized upon shipment of the software if collection of the resulting receivable is probable, the fee is fixed or determinable, and vendor-specific objective evidence (VSOE) of fair value exists for all undelivered elements. The Company determines VSOE based upon the price charged when the same element is sold separately. Maintenance and support VSOE represents a consistent percentage of the license fees charged to customers. Consulting services VSOE represents standard rates, which the Company charges its customers when the Company sells its consulting services separately. For an element not yet being sold separately, VSOE represents the price established by management having the relevant authority when it is probable that the price, once established, will not change before the separate introduction of the element into the marketplace. Revenue under license arrangements, which may include several different software products and services sold together, are allocated to each element based on the residual method in accordance with SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." Under the residual method, the fair value of the undelivered elements is deferred and subsequently recognized when earned. The Company has established

sufficient VSOE for professional services, training and maintenance and support services. Accordingly, software license revenues are recognized under the residual method in arrangements in which software is licensed with professional services, training and maintenance and support services. The Company uses installment contracts as a standard business practice and has a history of successfully collecting under the original payment terms without making concessions on payments, products or services.

Maintenance and support services are recognized ratably over the life of the maintenance and support contract period. Maintenance and support services include telephone support and unspecified rights to product upgrades and enhancements. These services are typically sold for a one-year term and are sold either as part of a multiple element arrangement with software licenses or are sold independently at time of renewal. The Company does not provide specified upgrades to its customers in connection with the licensing of its software products.

Service revenues from fixed-price contracts are recognized using the proportional performance method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount thereof is provided currently. Service revenues from time and expense contracts and consulting and training revenue are recognized as the related services are performed. Services that have been performed but for which billings have not been made are recorded as unbilled services, and billings that have been recorded before the services have been performed are recorded as unearned revenue in the accompanying consolidated balance sheets. In accordance with the Emerging Issues Task Force (EITF) released Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," reimbursement received for out-of-pocket expenses is recorded as revenue and not as a reduction of expenses.

57. On October 29, 2003, AspenTech issued a press release announcing its financial results for the first quarter of fiscal 2004, the period ending September 30, 2003. For the quarter, the Company reported total revenues of \$77.0 million and diluted earnings per share to common shareholders of \$0.10 per share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

We are extremely pleased to have delivered profitability in the first quarter, which is our seasonally weakest quarter. These results indicate that our focus on improving execution and financial performance is yielding success. With the closing of our private equity financing, a substantial reduction of outstanding debt, and the generation of positive cash flow from operations, we have dramatically improved our balance sheet and put the company in a position to capitalize on improving IT demand in the process industries.

We recently introduced a number of new products for the Enterprise Operations Management (EOM) market with some of our largest customers. We are encouraged by both the growth prospects for these solutions, as well as the demonstrable uptick in customer interest to deploy these types of applications. Given our improved operational execution and lower quarterly expenses, we are positioned to continue our progress and deliver on our objectives for this fiscal year.

58. AspenTech's financial results for the first quarter of fiscal 2004, the period ending September 30, 2003, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about November 14, 2003, which was signed by defendants McQuillin and Kane. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

Revenue Recognition—Software Licenses

We recognize software license revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position, or SOP, No. 97-2, "Software Revenue Recognition," as amended by SOP No. 98-4 and SOP No. 98-9, as well as the various interpretations and clarifications of those statements. These statements require that four basic criteria must be satisfied before software license revenue can be recognized:

- persuasive evidence of an arrangement between ourselves and a third party exists;
- delivery of our product has occurred;
- the sales price for the product is fixed or determinable; and
- collection of the sales price is probable.

Our management uses its judgment concerning the satisfaction of these criteria, particularly the criteria relating to the determination of whether the fee is fixed and determinable and the criteria relating to the collectibility of the receivables, particularly the installments receivable, relating to such sales. Should changes and conditions cause management to determine that these criteria are not met for certain future transactions, all or substantially all of the software license revenue recognized for such transactions could be deferred.

Revenue Recognition—Consulting Services

We recognize revenue associated with fixed-fee service contracts in accordance with the proportional performance method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount of the anticipated loss is provided currently. Our management uses its judgment concerning the estimation of the total costs to complete the contract, considering a

number of factors including the experience of the personnel that are performing the services and the overall complexity of the project. Should changes and conditions cause actual results to differ significantly from management's estimates, revenue recognized in future periods could be adversely affected.

59. On January 22, 2004, AspenTech issued a press release announcing its financial results for the second quarter of fiscal 2004, the period ending December 31, 2003. For the quarter, the Company reported total revenues of \$80.4 million and net income of \$560,000, or \$0.01 per diluted share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

During the second quarter, we continued to build upon the operational performance and financial foundation that we worked hard to establish at AspenTech over the previous four quarters. With the significant structural changes behind us, we have now turned our full attention to focusing on the execution of our business strategy to deliver sustainable, profitable growth for our shareholders. With economic indicators steadily improving, we are beginning to see pockets of strength in our customer base and we are moving aggressively to capitalize on these opportunities.

Our strategy to deliver business value with vertical software solutions to the emerging enterprise operations management (EOM) market is gaining momentum. We are encouraged by our customers' response to the benefits they are receiving from some of our newer products such as Aspen Operations Manager. We have also added new functionality to our supply chain planning solutions over the past year which has strengthened demand for this technology from the petroleum, chemicals and consumer goods markets.

60. AspenTech's financial results for the second quarter of fiscal 2004, the period ending December 31, 2003, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about February 17, 2004, which was signed by defendants McQuillin and Kane. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

Revenue Recognition—Software Licenses

We recognize software license revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position, or SOP, No. 97-2, "Software Revenue Recognition," as amended by SOP No. 98-4 and SOP No. 98-9, as well as the various interpretations and clarifications of those statements. These statements require that four basic criteria must be satisfied before software license revenue can be recognized:

- persuasive evidence of an arrangement between ourselves and a third party exists;
- delivery of our product has occurred;
- the sales price for the product is fixed or determinable; and
- collection of the sales price is probable.

Our management uses its judgment concerning the satisfaction of these criteria, particularly the criteria relating to the determination of whether the fee is fixed and determinable and the criteria relating to the collectibility of the receivables, particularly the installments receivable, relating to such sales. Should changes and conditions cause management to determine that these criteria are not met for certain future transactions, all or substantially all of the software license revenue recognized for such transactions could be deferred.

Revenue Recognition—Consulting Services

We recognize revenue associated with fixed-fee service contracts in accordance with the proportional performance method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount of the anticipated loss is provided currently. Our management uses its judgment concerning the estimation of the total costs to complete the contract, considering a number of factors including the experience of the personnel that are performing the services and the overall complexity of the project. We have a significant amount of experience in the estimation of the total costs to complete a contract and have not typically recorded material losses related to these estimates. We do not expect the accuracy of our estimates to change significantly in the future. Should changes and conditions cause actual results to differ significantly from management's estimates, revenue recognized in future periods could be adversely affected.

61. On April 29, 2004, AspenTech issued a press release announcing its financial results for the third quarter of fiscal 2004, the period ending March 31, 2004. For the quarter, the Company reported total revenues of \$80.7 million and net income of \$1.5 million, or \$0.03 per diluted share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

The strength of our business in the chemicals and oil & gas industries, combined with continued operational execution, enabled us to meet or exceed our quarterly targets for revenue and net income for the sixth consecutive quarter. We continue to see modest improvements in the global economic environment and our customer

base is actively looking to invest in IT solutions that support their corporate-wide initiatives to improve operational performance.

During the past nine months, we have released nine new products, which we believe will fuel our future growth. Now, our challenge as a company is to focus on capturing the growth opportunities of these new products, as well as maximize the performance of our existing point solutions. As we build our sales pipeline for these products, we plan to reallocate organizational resources into sales and marketing activities that support our plans for profitable, sustainable growth in fiscal 2005 and beyond.

Defendant Kane continued, in pertinent part, as follows:

The company has made significant strides in consistently meeting or exceeding our operational targets and improving our financial performance, as evidenced by the year-over-year increase in our operating margins. As we seek to grow our revenues and hit our long-term operating margin goals, it is necessary to maintain our focus on operational improvement and invest in the areas of the business that will produce the greatest growth opportunities.

62. AspenTech's financial results for the third quarter of fiscal 2004, the period ending March 31, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about May 17, 2004, which was signed by defendants McQuillin and Kane. Concerning the Company's revenue recognition policies, the 10-Q stated, in pertinent part, as follows:

Revenue Recognition—Software Licenses

We recognize software license revenue in accordance with American Institute of Certified Public Accountants, or AICPA, Statement of Position, or SOP, No. 97-2, "Software Revenue Recognition," as amended by SOP No. 98-4 and SOP No. 98-9, as well as the various interpretations and clarifications of those statements. These statements require that four basic criteria must be satisfied before software license revenue can be recognized:

- persuasive evidence of an arrangement between ourselves and a third party exists;
- delivery of our product has occurred;
- the sales price for the product is fixed or determinable; and
- collection of the sales price is probable.

Our management uses its judgment concerning the satisfaction of these criteria, particularly the criteria relating to the determination of whether the fee is fixed and determinable and the criteria relating to the collectibility of the receivables,

particularly the installments receivable, relating to such sales. Should changes and conditions cause management to determine that these criteria are not met for certain future transactions, all or substantially all of the software license revenue recognized for such transactions could be deferred.

Revenue Recognition—Consulting Services

We recognize revenue associated with fixed-fee service contracts in accordance with the proportional performance method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount of the anticipated loss is provided currently. Our management uses its judgment concerning the estimation of the total costs to complete the contract, considering a number of factors including the experience of the personnel that are performing the services and the overall complexity of the project. We have a significant amount of experience in the estimation of the total costs to complete a contract and have not typically recorded material losses related to these estimates. We do not expect the accuracy of our estimates to change significantly in the future. Should changes and conditions cause actual results to differ significantly from management's estimates, revenue recognized in future periods could be adversely affected.

63. On August 4, 2004, AspenTech issued a press release announcing its financial results for the fourth quarter and year end of fiscal 2004, the period ending June 30, 2004. For the quarter, the Company reported total revenues of \$87.6 million and a net loss of \$41.4 million, or \$1.00 per diluted share. Defendant McQuillin commented on the Company's performance, stating, in pertinent part, as follows:

The fundamentals of our business continue to remain solid. We delivered our fifth straight quarter of software license growth and, for the first time since June 1998, generated pro forma (non-GAAP) operating margins for the quarter in the double-digits. Our sales were balanced by both industry and product mix, as we experienced strength from each of the chemicals, petroleum, and oil & gas markets. Additionally, our manufacturing/supply chain product line had its strongest performance in the past two years.

With the potential approval of the Federal Trade Commission (FTC) settlement, we would remove a major external issue that has distracted us from focusing on our business over the past two years. Our attention has now turned to building on our momentum and increasing our operating margins for fiscal 2005. We indicated at the beginning of this year that we would continue to focus our efforts on bringing all of our products together to provide an integrated solution for the Enterprise Operations Management market. The execution of this integration strategy has enabled us to streamline many of our internal processes to drive costs out of the business, as well

as curtail our investment in certain products. These changes will enable us to increase our productivity and efficiency, while driving earnings growth in fiscal 2005.

I am proud of the dramatic improvements we have made in the financial performance of the company for fiscal 2004. As we approach AspenWorld, the process industry conference we host every two years, we are excited about our opportunity to showcase how our new, integrated solutions can help customers improve their business processes and capture significant economic value.

Defendant Kane continued, in pertinent part, as follows:

During fiscal 2004 we increased our pro forma (non-GAAP) operating income to \$27.0 million from \$2.5 million in fiscal 2003, reduced our debt by over \$100 million, and generated \$41 million in cash flow from operations. This improvement has been the result of software license revenue growth of nine percent, the reduction of total recurring expenses by more than \$21 million, and lowering our DSOs for billed receivables in the fourth quarter to 54 days, a 31 day year-over-year improvement. We are extremely pleased with this performance and anticipate that over the next twelve months we will generate significantly higher operating margins and have a debt-free balance sheet by the end of fiscal 2005.

64. AspenTech's financial results for the fourth quarter and year end of fiscal 2004, the period ending June 30, 2004, were repeated in the Company's Report on Form 10-K filed with the SEC on or about September 13, 2004, which was signed by defendants McQuillin and Kane. Concerning the Company's revenue recognition policies, the 10-K stated, in pertinent part, as follows:

License revenue, including license renewals, consists principally of revenue earned under fixed-term and perpetual software license agreements and is generally recognized upon shipment of the software if collection of the resulting receivable is probable, the fee is fixed or determinable, and vendor-specific objective evidence (VSOE) of fair value exists for all undelivered elements. The Company determines VSOE based upon the price charged when the same element is sold separately. Maintenance and support VSOE represents a consistent percentage of the license fees charged to customers. Consulting services VSOE represents standard rates that the Company charges its customers when the Company sells its consulting services separately. For an element not yet being sold separately, VSOE represents the price established by management having the relevant authority when it is probable that the price, once established, will not change before the separate introduction of the element into the marketplace. Revenue under license arrangements, which may include several different software products and services sold together, are allocated to each element based on the residual method in accordance with SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain

Transactions." Under the residual method, the fair value of the undelivered elements is deferred and subsequently recognized when earned. The Company has established sufficient VSOE for professional services, training and maintenance and support services. Accordingly, software license revenues are recognized under the residual method in arrangements in which software is licensed with professional services, training and maintenance and support services. The Company uses installment contracts as a standard business practice and has a history of successfully collecting under the original payment terms without making concessions on payments, products or services.

Maintenance and support services are recognized ratably over the life of the maintenance and support contract period. Maintenance and support services include telephone support and unspecified rights to product upgrades and enhancements. These services are typically sold for a one-year term and are sold either as part of a multiple element arrangement with software licenses or are sold independently at time of renewal. The Company does not provide specified upgrades to its customers in connection with the licensing of its software products.

Service revenues from fixed-price contracts are recognized using the proportional performance method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount thereof is provided currently. Service revenues from time and expense contracts and consulting and training revenue are recognized as the related services are performed. Services that have been performed but for which billings have not been made are recorded as unbilled services, and billings that have been recorded before the services have been performed are recorded as unearned revenue in the accompanying consolidated balance sheets. In accordance with the Emerging Issues Task Force (EITF) Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," reimbursement received for out-of-pocket expenses is recorded as revenue and not as a reduction of expenses.

65. The statements referenced above in ¶¶ 25-26, 28-39, 41-42, 44-52 and 54-62 were each materially false and misleading when made because they failed to disclose and/or misrepresented the following adverse facts, among others: (i) that the Company had improperly and prematurely recognized revenue for certain software license and service agreement transactions entered into with certain alliance partners and other customers during fiscal years 2000-2002 and possibly other periods; (ii) that the Company lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and (iii) that as a result of the foregoing, the values of

the Company's revenues, earnings, assets and/or liabilities for fiscal years 2000-2002 and possibly other periods were materially overstated and may have to be restated.

The Truth Emerges

66. Then, on October 27, 2004, the Company shocked the market when it issued a press release announcing that its Audit Committee had undertaken a detailed review of the accounting for certain software license and service agreement transactions entered into with certain alliance partners and other customers during fiscal years 2000-2002. The Committee is reassessing the time periods in which revenue was recognized for these transactions and whether any of these transactions have prior or current material financial statement impact. The review could lead to a restatement. The press release continued, in pertinent part, as follows:

Based on its preliminary review to date, the Audit Committee believes that one software license transaction in fiscal third quarter 2000 and two transactions in fiscal second quarter 2001 were included in AspenTech's results for such periods without reflecting the impacts of associated arrangements between AspenTech and those customers, which may require revised accounting treatment.

The Committee has also identified a potential contingency associated with a fourth transaction recorded in the fourth fiscal quarter of 2001 which was not reflected in prior accounting, which may require revised accounting treatment.

67. Upon this shocking news, on October 28, 2004, shares of the Company's stock fell to an intraday low of \$5.50 per share, or approximately 20%, before closing at \$6.68 per share, on unusually heavy trading volume.

68. Then, on October 29, 2004, the Company announced that federal prosecutors launched a probe into the Company's accounting practices from 2000 through 2002. The Company said it received a subpoena from the U.S. Attorney's Office for the Southern District of New York requesting documents relating to transactions that it entered into during those years, and other documents dating from January 1, 1999.

69. Upon this shocking news, shares of the Company's stock fell an additional \$0.67, or approximately 10%, to close at \$6.01, on unusually heavy trading volume.

70. The market for AspenTech's common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, AspenTech's common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired AspenTech common stock relying upon the integrity of the market price of AspenTech's common stock and market information relating to AspenTech, and have been damaged thereby.

71. During the Class Period, defendants materially misled the investing public, thereby inflating the price of AspenTech's common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

72. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about AspenTech's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of AspenTech and its business, prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class